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## Eagle Lager: A Sorghum Success Story on Many Levels

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EAGLE LAGER

A SORGHUM SUCCESS STORY ON MANY LEVELS



**BEER**

**PROOF THAT GOD LOVES US AND WANTS  
US TO BE HAPPY!!!**



# AGENDA



- The Project
- The Benefits
- The Lessons
- Learning from the constraints
- Conclusions







# THE PROJECT



- **Beer in most African countries is very expensive due to:**
  - **Dollar or Euro denominated Ingredients**
  - **Weak and volatile local currencies**
  - **Extended logistics and high freight costs**
  - **Punitive tax structures**
  - **Low efficiencies**
- **Beer markets in Africa are small and “static”.**
  - **Uganda – 4.5 liters per capita**
  - **Kenya – 14 liters per capita**
  - **cf. 50 to 100 liters per capita for developed countries**





# THE PROJECT

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- **More than 60% of Africa's population survive on less than a dollar a day!**
- **In 1999 in Uganda we were faced with a static but highly competitive market.**
- **Needed to grow our market and to do this we needed to make beer cheaper**
- **How could we do this??**
- **It was felt that a suitable local ingredient would reduce the cost of manufacture and stimulate local agriculture and the economy as well as provide opportunities for growth and profit for the company.**



# THE PROJECT

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- **An extensive base line study of the Ugandan Agricultural sector was undertaken to determine what was “out there”.**
- **It was clear that there was enormous potential but little else**
- **Sorghum seemed the logical starting point because there was a history of sorghum cultivation BUT the only suitable variety was in breeders seed!**
- **Virtually no commercial agriculture.**



# THE PROJECT

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- **Small scale sector was almost entirely subsistence based with virtually no support or “organisation”. Mistrust was pervasive, little skill, no finance.**
- **Split the project into 4 work streams:**
  - **Raw materials and agriculture**
  - **Technical brand development**
  - **Government and regulatory affairs**
  - **Marketing**
- **Soon became clear that the “cheaper raw material” was a myth and that we would need another string to our bow.**





# THE PROJECT

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- **Negotiations with Government on an excise remission on the back of investment in Agricultural Development at the grass roots level.**
- **Took 18 months but was ultimately successful**
- **Meanwhile in the background the seed bulking work had been done and engagement with small scale farmers was ongoing in collaboration with the Ministry of Agriculture and the Agricultural Research Authorities who were enormously helpful**
- **A highly sceptical group of subsistence farmers planted a crop in the traditional manner using ox ploughs, hand tools, and family labour.**



# THE PROJECT



- The development of the necessary brewing technology meanwhile went on at our R&D laboratories in Johannesburg and the infrastructure for this innovative product was designed and built at our brewery in Jinja.
- A Brand proposition was simultaneously developed to appeal to the target market using the “home grown provenance”





# THE PROJECT

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- **The turning point came when I went out to the bush with a truck and a car full of cold hard cash which was paid out on the scale!**
- **Suddenly EVERYONE WAS A FAN.**
- **Where previously mistrust and scepticism was the order of the day now I had to spend my time fighting off M.P.'s who “had supported me in the negotiations” and who had the perfect constituency for growing sorghum!!**
- **The second crop was oversubscribed by 400%.**
- **The brand became the market leader and an icon of national development.**
- **Today Eagle or its derivatives have become established in 5 African markets and the brand continues to flourish**



# THE PROJECT

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- **The “model” has been adopted as “best practice” by SABMiller Global**
- **Importantly, the idea was driven by a business imperative, not philanthropy.**
- **“The imperative for growth and profitability in a competitive market drove us to seek mechanisms for lowering the financial barriers to entry into the clear beer market thereby attracting new consumers to the category”**



# THE BENEFITS



## • THE BUSINESS:

- The cost of manufacture and the retail price has been reduced
- Resulted in market growth and bottom line performance
- Corporate reputation enhanced and protected license to trade
- Changed the rules of the game
  - Local ingredients are viable.
  - Big business and small scale agriculture can combine successfully in supply chain development
  - Business driven initiatives do contribute meaningfully to national development
  - Multi party collaboration is not only possible but can be considered essential.





# THE BENEFITS

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## THE FARMERS

- **Eagle Lager has created a new and credible long term market for sorghum as a cash crop. Improved quality of life and poverty alleviation**
- **Stability and predictability provided by advance purchase agreements.**
- **Indigenous crop and draws on experience.**
- **Good yields and prices.**
- **Strengthened private sector and a partnership of equals – NOT CHEQUE BOOK PHILANTHROPY**



# THE BENEFITS



## THE ECONOMY

- **Growth in the agricultural sector means growth for the rest of the economy**
- **Earnings potential in the agricultural sector is enhanced as well as downstream in the value chain through growth in employment in the distribution and retail sectors**
- **Reduced foreign exchange spend**
- **Improved tax remittances**



# THE BENEFITS



## THE CONSUMERS

- For most consumers the only alcoholic beverage available was illicit unrefined local brew with associated health risks and other social ills.
- Eagle has provided a high quality, safe and affordable alternative





# THE LESSONS LEARNED



## CLEAR BUSINESS FOCUS:

**A clear and undeniable business case ensures long-term commitment by the business, and has a far greater chance of being sustainable the “philanthropic” initiatives – no matter how well intentioned they are.**





# THE LESSONS LEARNED

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## GOVERNMENT PARTNERSHIP

- **Governments and business have to work in partnership to exploit synergies between the countries development objectives and the core business of the Company.**
- **Think outside the box and look for innovative ways to create supplier partnerships that are mutually beneficial to all**
- **Beware of the pinko's!**
- **Act with honesty and integrity – “enlightened self interest is nothing to be ashamed of!!!”**





# THE LESSONS LEARNED



## EFFECTIVE INTERMEDIARIES

- **Consultants:**
- **Farmer co-operatives:**
- **NGO's:**
- **Commodity Brokers:**

**Effective and efficient intermediaries are a critical success factor in any supply chain project of this nature. This applies as much to the business as the farmer.**





# THE LESSONS LEARNED



## ENGAGE WITH SUPPLIERS

**Efforts put into understanding the specific socio economic and cultural factors driving the farmers and into communication with them helps to build trust, mutual understanding, loyalty and ultimately a more efficient, effective and reliable supply chain**





# THE LESSONS LEARNED

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## **MULTI-DISCIPLINARY TECHNICAL APPROACH WITH CLEAR LEADERSHIP**

- **The multi-disciplinary nature of the team combined with effective project management ensured that all the key elements of the project were identified early and that outputs, quality requirements, indicators and roles and responsibilities were clearly established and rigorously managed from the outset.**
- **Strong directed leadership by a group of committed individuals was a key success factor**





# THE CONSTRAINTS



- **TECHNICAL KNOWLEDGE AND SKILLS:**

The message is that technical support for farmers – covering both agronomic and commercial skills – is critical to ensure that they are in a position to take full advantage of market opportunities, as well as to build higher quality, more reliable and more sustainable supply chains.





# THE CONSTRAINTS



## ACCESS TO FINANCE

**There is a wealth of experience available in microfinance and rural out-reach banking! Partnerships with NGO's and Micro Finance Institutions can play an important role in enabling poor people to access new market opportunities when they arise.**







# THE CONSTRAINTS



## SCALE / EFFECTIVENESS OF INTERMEDIARIES

**Efforts to strengthen farmer cooperatives have enhanced the capacity of farmers to operate more effectively and with greater collective voice in the market.**

**Building effective partnerships with NGO's enhances the reliability of supply chains and the scale of the benefits available to suppliers operating within them**





# THE CONSTRAINTS

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## • INITIAL MISTRUST

Many projects to “alleviate the plight of the small scale farmer” have been initiated and few have delivered tangible benefits. There was great deal of mistrust and scepticism that needed to be overcome.

Agreeing buying contracts and guaranteeing farm gate prices were useful in accomplishing this



# THE CONSTRAINTS



## GOVERNANCE, INVESTMENT AND POLICY CLIMATE:

Various systemic factors can constrain business and this type of project.

There is a clear business case for promoting enabling business environments by engaging in policy dialogue on infra – structure and, where appropriate to support specific projects to enhance supply chain performance.





# CONCLUSIONS

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- **Eagle Lager has clearly been a success**
- **Perhaps 100 000 rural poor have benefited from a stable market for an indigenous and widely grown crop.**
- **The Business has benefited from enhanced growth and enhanced corporate reputation as a force for positive change thus protecting its license to Trade**
- **The Government has benefited from poverty alleviation and greater revenues**



# CONCLUSIONS

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## THE DEBATE MUST MOVE ON

- **From whether the private sector, government and NGO's should work together to -**
- **How the three parties can work together for the benefit of the rural poor who, after all is said and done, are the very ones we are seeking to uplift.**
- **The approach taken by this work over the last 9 years has pointed out some serious flaws in the old paradigm and shown some important ways in which we can move forward**





# BEER WISDOM



EVERYONE SHOULD  
BELIEVE IN  
SOMETHING  
I BELIEVE I WILL  
HAVE ANOTHER  
BEER





A photograph of a rural setting. In the background, there is a small hut with a thatched roof. Several trees, including papaya trees, are scattered around the hut. A blue plastic container and a yellow container are visible near the hut. In the foreground, there is a large pile of harvested crops, possibly sorghum, and a large area of yellow grain spread out on the ground. The text "CHEERS AND THANK YOU FOR YOUR KIND ATTENTION – ANY QUESTIONS." is overlaid on the image in a bold, orange font.

**CHEERS AND THANK YOU  
FOR YOUR KIND ATTENTION –  
ANY QUESTIONS.**